



**The Association for Telecommunications & Technology Professionals Serving
State Government**

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February 28, 2003

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

RE: Interim measures for Universal Service Contributions, Docket No. 96-45

Dear Ms. Dortch,

This purpose of this letter is to express the concern of state government officials over impending changes to Universal Service contributions. A precedence has been established by the existing application of FUSF on Centrex services. The proposed order would have a serious, negative impact on state government telecommunications budgets.

NASTD - the Association for Telecommunications & Technology Professionals Serving State Government, represents the state agencies authorized by their respective state legislatures to provide telecommunications and information services to public entities including state agencies, local governments, universities and colleges, and schools and libraries.

Background: FCC Rule Section 69.158 (among others) established the Centrex equivalency ratio. A new rule 47 C.F.R. § 54.712 *Universal Service Contribution Order* appears to have the effect of ending the use of the Centrex equivalency ratio as of April 1, 2003 for customer USF charges. NASTD members are among the largest users of Centrex services in the country.

NASTD's position: NASTD is concerned that the Interim Order in the Universal Service Proceeding will effectively abolish the Centrex equivalency ratio that permits carriers to assess a universal service charge at one-ninth of the rate assessed on trunks. This is an established practice from previous FCC rulings intended to preserve competitive neutrality in the treatment of Centrex services versus PBX services. Like several other parties that have filed comment with the FCC, we have a serious concern over this change. NASTD's position is that action by the FCC is urgently needed to affirm that the status quo is not changing on the use of the Centrex equivalency ratio in assessing Universal Service Fund charges to Centrex customers.

Supporting comments:

- We support the comments filed by the USTA which state: "the Commission should clarify that local exchange carriers may continue to charge their Centrex customers the equivalency amount of one-ninth of the full universal service contribution assessment."
- We support the comments filed by the National Centrex Users Group regarding the importance of maintaining competitive neutrality between Centrex and PBX services and maintaining the status quo with the Centrex equivalency ratio for the present.
- We understand that the State of Florida is making an ex parte filing on this same matter, and we fully support the State of Florida comments.

Facts: A recent poll of NASTD members indicates that responding states have an average of 50,000 Centrex lines, most of them from carriers whose USF charges are based on the 1:9 ratio. This ruling will increase telecommunications costs for these states by more than \$250,000 per year. In some states the increase is over a half-million dollars. Across the 50 states, this will amount to increased spending of many millions of dollars per year, at a time when state budgets are already under serious pressure from decreasing revenues. Further, these increases will begin during the current fiscal year, producing unbudgeted shortfalls that the states will be forced to find a way to cover in a very short time frame.

This change will have a particularly large cost impact on state governments due to our telecommunications typical usage profile: we have many Centrex lines with primarily local and intrastate calling patterns. The change will also seriously undermine competitive neutrality between Centrex and PBX services.

- State governments' operating costs will be disproportionately affected by this change because of our heavy reliance on Centrex services, at a time when most states are in a budget crisis.
- A high proportion of state governments' telecommunications costs are in local service, compared to most other large enterprises.
- State governments rely heavily on Centrex for local service; in many states the LEC customer with the largest number of Centrex lines is the state government.
- The FCC's failure to maintain the equivalency ratio means that the commission has, through regulation, placed Centrex at a competitive disadvantage with respect to trunked PBX services, something that it has specifically declined to do in previous rulemakings (concerning PICC and LNP, for example.)

We appreciate your consideration in this matter.

A handwritten signature in black ink, appearing to read "Hale Irwin", with a stylized flourish at the end.

Hale Irwin
NASTD President